

Message Text

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14

ACTION AF-18

INFO OCT-01 EUR-25 ADP-00 AID-20 CIAE-00 EB-11 FRB-02

INR-09 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

OMB-01 SS-14 L-03 NSC-10 PA-03 PRS-01 USIA-12 RSR-01

/153 W

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R 231030 Z MAR 73

FM AMEMBASSY COTONOU

TO SECSTATE WASHDC 4992

INFO AMEMBASSY ABIDJAN

AMEMBASSY LAGOS

AMEMBASSY LOME

AMEMBASSY NIAMEY

AMEMBASSY OUAGADOUGOU

AMEMBASSY PARIS

USDOC/ WASHDC

C O N F I D E N T I A L COTONOU 0409

E. O. 11652: GDS

TAGS: PINT, EIND, DM, FR

SUBJ: KEREKOU GETS TOUGH WITH FRENCH BUSINESS COMMUNITY

PARIS FOR AMBASSADOR ANDERSON

1. PRESIDENT KEREKOU, IN LATEST OF HIS TOUGH TALKS WITH LOCAL BUSINESS COMMUNITY, CONVOKED MAINLY FRENCH BUSINESSMEN TO PRESIDENCY ON MARCH 20. HE CALLED ON THEM TO MAKE SIGNIFICANT INVESTMENTS CONTRIBUTING TO DAHOMEY'S ECONOMIC DEVELOPMENT OR SUFFER CONSEQUENCES. PRESIDENT ACCUSED SOME OF FIRMS REPRESENTED OF PROFITING FROM DAHOMEAN ECONOMY FOR OVER 50 YEARS WITHOUT MAKING MEANINGFUL CONTRIBUTION TO ITS DEVELOPMENT.

2. IN CLASSIC NON SEQUITUR, HE BLAMED RIOTING OF FEBRUARY 28 (COTONOU 0283) ON FOREIGN BUSINESS COMMUNITY'S REPATRIATION OF THEIR " ENORMOUS" PROFITS AND FAILURE TO CREATE EXPANDING EMPLOYMENT POSSIBILITIES. WARNED THAT PRIVATE SECTOR MUST AID MRGD IN
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INVESTMENT PROGRAM OR RISK REPETITION OF RIOTING. HE WAS PARTICULARLY CRITICAL OF SUPERFICIAL EVIDENCE OF NEGLECT AND LACK OF INTEREST SUCH AS FACT THAT MANY AFLUENT FIRMS NOW HOUSED IN SHODDY BUILDINGS. PRESIDENT DEMANDED THAT THIS BE RECTIFIED BY IMMEDIATE

UNDERTAKING OF BUILDING PROGRAM.

3. PRESIDENT INSISTED THAT BUSINESS PEOPLE SETTLE TAX ARREARS IMMEDIATELY AND PAY TAXES ON REGULAR BASIS. IN INTERESTING AD-MISSION, KEREKOU SAID MRGD NOW IN PROCESS OF SETTLING OWN OVERDUE DEBTS. THEREFORE, PRIVATE FIRMS NO LONGER HAVE JUSTIFICATION FOR NOT PAYING TAXES PROMPTLY. ALSO, TOLD BUSINESS PEOPLE THEY SHOULD BEGIN NOW KEEPING BOOKS AND INCORPORATING IN DAHOMEY EVEN THOUGH FEBRUARY 11 DECREE ON SUBJECT GAVE THEM DEADLINE OF NOVEMBER 30, 1973.

4. KEREKOU CONCLUDED WITH WARNING THAT MRGD HAD CHOSEN PATH OF NEGOTIATION AND DIALOGUE. HOWEVER, " THIS IS NOT THE ONLY PATH OPEN TO IT." HE SAID HE WISHED AVOID FUTURE MISUNDERSTANDINGS. THEREFORE, HE HOPED POSITION OF GOVERNMENT NOW CLEAR AND BUSINESS COMMUNITY WOULD ACT IN COOPERATIVE SPIRIT.

5. VIEWS OF BUSINESS COMMUNITY: FRENCH BUSINESS COMMUNITY NOW NERVOUS AND RESENTFUL. SOME TALKING OF GETTING OUT. MORE REASONABLE AMONG THEM ADMIT JUSTICE IN MUCH OF KEREKOU' S CRITICISM. THERE HAS BEEN LITTLE REINVESTMENT OF PROFITS, AND MOST BUSINESSES HAVE AVOIDED PAYING TAXES TO EXTENT POSSIBLE. FACT THAT BOOKS GENERALLY KEPT OUTSIDE COUNTRY FACILITATED AVOIDANCE OF TAXES. HOWEVER, THERE IS A WIDESPREAD RESENTMENT OF KEREKOU' S BRUTAL AND INDISCRIMINANT METHOD OF CONFRONTATION. SOME BELIEVE THAT INDIVIDUAL INTERVIEWS WITH MALFACTORS WOULD HAVE BEEN TACTIC BETTER SUITED TO ACHIEVE KEREKOU' S OBJECTIVE THAN GENERALIZED PUBLIC THREATS. ALSO, CORNER GROCER WAS THROWN IN WITH MANAGING DIRECTORS OF LAR FIRMS. ONLY THING THEY HAVE IN COMMON IS FOREIGN NATIONALITY. OBVIOUSLY, KINDS AND SCALE OF INVESTMENTS TO BE EXPECTED FROM TWO GROUPS NOT SIMILAR, AND JOINT ACTION UNREALISTIC.

6. COMMENT: IN LONG RUN, DOUBT THAT KEREKOU' S SHOTGUN APPROACH WILL BE MORE THAN SUPERFICIALLY SUCCESSFUL. WHILE HE MAY WELL GET A FEW NEW BUILDINGS BUILT IN DOWNTOWN COTONOU, THIS MAY BE AT EXPENSE OF OTHER MORE PRODUCTIVE INVESTMENT THAT MIGHT HAVE TAKEN PLACE. MOREOVER, HIS INDISCRIMINATE BLUSTERING MAY INDUCE ALREADY

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NERVOUS TYPES TO BEGIN QUIETLY TO SEND CAPITAL ABROAD AND TO ALLOW THEIR BUSINESSES TO RUN DOWN BY GRADUALLY REDUCING INVENTORIES AND BY CONTRACTING BUSINESS ACTIVITY. PRESIDENT COULD WAKE UP ONE MORNING WITH NUMBER OF BUSINESS WHICH ARE LITTLE MORE THAN SHELLS. ANOTHER FACTOR WHICH KEREKOU AND HIS ADVISOR SEEM TO HAVE OVERLOOKED IS IMPACT OF DRAGOONIAN STYLE ON POTENTIAL NEW PRIVATE INVESTORS. ONE HOPES POTENTIAL INVESTORS WILL BE PERCEPTIVE ENOUGH TO REALIZE MANY OF KEREKOU' S CRITICISMS ARE JUSTIFIED BY THE ENTRENCHED COLONIALIST ATTITUDES OF MANY FRENCH BUSINESS PEOPLE. MOREOVER, IF NEW INVESTORS ARE ENLIGHTENED IN THEIR DEALINGS WITH THE DAHOMEANS, KEREKOU' S THREATS ARE UNLIKELY TO BE APPLIED TO THEM, ESPECIALLY IF THEY: 1) HAVE DAHOMEAN CAPITAL PARTICIPATION IN UNDERTAKING 2) TRAIN DAHOMEANS TO TAKE OVER MANAGEMENT; AND 3) ORGANIZE FINANCES OF FIRM SO THAT DAHOMEANS CAN BUY OUT FOREIGN OWNERSHIP IN REASONABLE TIME, IF THEY WISH TO DO SO.
MCNAMARA

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